

## Message Text

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ACTION NEA-10

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 5526

INFO AMEMBASSY BEIRUT

UNCLAS CAIRO 7502

E.O. 11652: NA

TAGS: EGEN, ETDR, EG

SUBJECT: AGENCY LAW

REF: (A) CAIRO A-115 OF 8/26/74 (B) CAIRO A-22 (C) STATE 178566

(D) CAIRO 5526

1. SOME ASPECTS OF STATUS EGYPTIAN AGENCY LAW STILL REMAIN AMBIGUOUS. REF A TRANSMITTED TEXT OF LAW AND REF B TRANSMITTED IMPLEMENTING REGULATIONS AND OUR COMMENTS ON THESE REGULATIONS. BOTH AIRGRAMS HAVE BEEN GIVEN BY COML OFF TO CATERPILLAR REPRESENTATIVES.

2. LAW AND ITS IMPLEMENTING REGULATIONS SPECIFICALLY ALLOW PRIVATE SECTOR AGENCY/DEALERSHIPS ON BEHALF FOREIGN COMPANIES. PROBLEM OF CATERPILLAR AND CERTAIN OTHER FOREIGN COMPANIES IS THAT THEY ALREADY HAVE AGENCY AGREEMENTS WITH PUBLIC SECTOR TRADING COMPANIES. ACCORDING TO IMPLEMENTING REGULATIONS AN AGENCY AGREEMENT MAY NOT BE CONCLUDED BY A FOREIGN COMPANY ALREADY REPRESENTED BY A PUBLIC SECTOR COMPANY, UNLESS THE AGENCY AGREEMENT HAS ALREADY EXPIRED. THEREFORE, PRECISE TERMS OF CATERPILLAR AGENCY AGREEMENT IS PERTINENT.

TERMINATION PROVISIONS EXISTING IN THAT AGREEMENT WOULD BE BINDING ACCORDING TO OUR INTERPRETATION.

3. ISSUE IS CLOUDED BECAUSE TO BEST OF OUR KNOWLEDGE NO IMPORTANT AGENCY AGREEMENTS WITH PUBLIC SECTOR FIRMS HAVE BEEN TERMINATED. A NUMBER OF MAJOR FOREIGN FIRMS ARE CAREFULLY WATCHING TO SEE WHAT WILL HAPPEN WHEN AN IMPORTANT FOREIGN COMPANY TERMINATES ITS AGREEMENT WITH A PUBLIC SECTOR TRADING COMPANY. LAST  
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FALL, BEFORE IMPLEMENTING INSTRUCTIONS WERE ISSUED, MERCEDES-BENZ

ON BASIS OF AGENCY LAW CONCLUDED MAJOR CONTRACT THROUGH PRIVATE AGENT  
DESPITE ITS AGREEMENT WITH PUBLIC SECTOR TRADING COMPANY. THIS  
WAS CONTESTED AND FINAL RESULT WAS THAT MERCEDES-BENZ PAID COMMIS-  
SION TO ITS PUBLIC SECTOR AGENT.

4. ONLY OTHER MAJOR QUESTION CONCERNING STATUS OF AGENCY LAW IS  
CHANGE IN EGYPTIAN GOVERNMENT TENDER PROCEDURES REQUIRING THAT ALL  
BIDS ON EGYPTIAN GOVERNMENT OR PUBLIC SECTOR TENDERS BE SUBMITTED  
THROUGH EGYPTIAN COMMERCIAL COMPANY OR EGYPIAN AGENT REGISTERED  
WITH MINISTRY OF TRADE (SEE REF D). THIS MINISTERIAL DECISION HAS  
NOT YET BEEN PUBLISHED IN OFFICIAL GAZETTE AND, HENCE, IS NOT YET  
IN EFFECT.  
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